

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

WASHINGTON, D.C. 20250

January 14, 1981

SUBJECT: Farmer Program Loans
Credit Availability and Collections


TO: State Directors, District Directors
and County Supervisors, FmHA

Information is now available that indicates some rural banks have experienced increased deposits and a decline in loan to deposit ratios in 1980 and thus are in a better position to meet the credit needs of their farmer customers than in the past. To insure that FmHA strictly maintains its required status as a supplementary and last resort credit source it is extremely important that all appropriate field personnel keep currently informed on the credit situation in their areas. This can best be accomplished through immediate and regular contacts with banks and other credit sources. In processing all farm loan applications there must be adequate documentation on the availability of other credit. Particular attention must be given to the revised test for credit requirements in the EM and EE Instructions.

The awareness of credit availability from all sources is also most necessary to conduct informed graduation reviews. In all cases where there is any question about the borrower graduating to other credit, the borrower will be requested to do so and the file completely documented on the results.

Many borrowers may be able to graduate from the insured loan program to the guaranteed loan program when other credit without a guarantee is not available. FmHA borrowers are expected to graduate when they have repayment ability for private sector credit, either with or without a guarantee, regardless of the other lender's interest rate charge.

The widespread drought and high temperatures in 1980 did not severely affect all States. There are also areas within the affected States where crop and livestock production was at reasonable levels. Farmers are receiving substantially increased prices for most of their products with a favorable outlook for 1981 which has improved repayment prospects. Therefore, field staffs are reminded to contact borrowers to assure that they pay on their FmHA accounts in accordance with their ability. In those States where crops are normal or above and with the increased prices due to the drought, borrowers should be encouraged to pay ahead of schedule if possible.


GORDON CAVANAUGH
Administrator

EXPIRATION DATE: September 30, 1981

FILING INSTRUCTIONS:
Preceding FmHA Instruction 19